

Auditing Procedures Report

Issued under P.A. 2 of 1988, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input checked="" type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name Muskegon Charter Township	County Muskegon
Fiscal Year End 12/31/07	Opinion Date 5/05/08	Date Audit Report Submitted to State 5/12/08	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

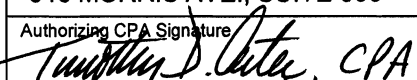
YES
NO

Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☐ ☒ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☒ ☐ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)		
Financial Statements	<input checked="" type="checkbox"/>			
The letter of Comments and Recommendations	<input type="checkbox"/>	No comments this year		
Other (Describe)	<input type="checkbox"/>	No single audit or other item required		
Certified Public Accountant (Firm Name) BRICKLEY DELONG, PLC		Telephone Number 231-726-5820		
Street Address 316 MORRIS AVE., SUITE 500		City MUSKEGON	State MI	Zip 49440
Authorizing CPA Signature 		Printed Name TIMOTHY D. ARTER		License Number 10253

for Brickley DeLong, PLC

Muskegon Charter Township
Muskegon County, Michigan

REPORT ON FINANCIAL STATEMENTS
(with required supplementary information)

Year ended December 31, 2007

Muskegon Charter Township

TABLE OF CONTENTS

Management's Discussion and Analysis.....	i - x
Independent Auditors' Report.....	1
Basic Financial Statements	
Government-wide Financial Statements	
Statement of Net Assets	2
Statement of Activities	3
Fund Financial Statements	
Governmental Funds	
Balance Sheet	4
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets	5
Statement of Revenues, Expenditures and Changes in Fund Balances	6
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities.....	7
Proprietary Funds	
Statement of Net Assets... ..	8
Statement of Revenues, Expenses and Changes in Fund Net Assets	9
Statement of Cash Flows.....	10
Statement of Fiduciary Assets and Liabilities	11
Notes to Financial Statements	12
Required Supplementary Information	
Budgetary Comparison Schedule—General Fund.....	30
Budgetary Comparison Schedule—Public Safety Fund	31
Other Supplemental Information	
Other Governmental Funds	
Combining Balance Sheet	33
Combining Statement of Revenues, Expenditures and Changes in Fund Balances (Deficits).....	34

Muskegon Charter Township

Management's Discussion and Analysis

As management of Muskegon Charter Township, we present to the readers of the Township's financial statements this overview and analysis of the financial activities of the Township for the fiscal year ended December 31, 2007. We encourage you to consider the information presented in these financial statements along with the additional information that has been furnished in this letter.

FINANCIAL HIGHLIGHTS

At the close of the year, the Township had total assets of \$55,851,257 and total liabilities of \$26,743,531 leaving net assets of \$29,107,726, an increase of 1.7%.

Of the total \$29,107,726 in net assets, the Township may use \$10,443,904 (unrestricted net assets) to meet the ongoing obligations to citizens and creditors. Of the unrestricted net assets, \$817,452 are shown in governmental activities and \$9,626,452 are shown in business-type activities.

OVERVIEW OF THE FINANCIAL STATEMENTS

The discussion and analysis is intended to serve as an introduction to the Township's basic financial statements. The basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide Financial Statements

The government-wide financial statements are designed to provide the reader with a broad overview of the Township's finances. These statements are similar to those of a private sector business.

The Statement of Net Assets presents information on all of the Township's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Township is improving or deteriorating.

The Statement of Activities presents information showing how the Township's net assets changed during the fiscal year. All changes in net assets are reported when the event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in the future fiscal periods.

Muskegon Charter Township

Management's Discussion and Analysis

Both of the government-wide financial statements mentioned above distinguish functions of the Township that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are designed to recover all or a significant part of their costs through user fees and charges for services (business-type activities). The governmental activities of the Township include general government, public safety, public works, community and economic development and cultural and recreational activities. The business-type activities of the Township include water distribution, sanitation and sewer services.

Fund Financial Statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Township, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Township can be divided into three categories-governmental funds, proprietary funds and fiduciary funds.

Governmental Funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on current sources and uses of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. This information may be useful in evaluating a governmental entity's short-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's short-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between the two.

Muskegon Charter Township maintains several individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund and Public Safety Fund, which are considered major funds. Data from the other funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report.

Proprietary Funds. The Township has three enterprise funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The Township uses enterprise funds to account for its water distribution, sanitation and sewer operations.

Muskegon Charter Township

Management's Discussion and Analysis

Enterprise funds provide the same type of information as the government-wide financial statements, only in more detail. The enterprise funds financial statements provided separate information for the Eastside Water, Sanitation and Sewer funds, all of which are major funds.

Fiduciary Funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the Township. Fiduciary funds are not reflected on the government-wide financial statements because the resources from those funds are not available to support the Township's programs. The accounting method used for fiduciary funds is much like that used for the proprietary funds.

Notes to Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The reader is encouraged to include the reading of this section in any attempt to analyze and understand these statements.

Other Information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the Township's budgetary information as it relates to the actual expenditures for the General Fund and Public Safety Fund.

The combining statements referred to earlier in connection with the non-major governmental funds are presented immediately following the required supplementary information on budgetary information.

Government-wide Financial Analysis

The first table presented below is a summary of the government-wide statement of net assets for the Township. As stated earlier, the net assets may be used as an indicator of a government's financial health. As of December 31, 2007, the Township's net assets from governmental activities totaled \$5,126,046 and \$23,981,680 from business-type activities, creating a total government-wide net assets total of \$29,107,726.

In examining the composition of these net assets, the reader should note that governmental activities net assets are invested in capital assets (i.e., buildings, land, vehicles, equipment, etc.) These assets are used to provide services to the Township's residents, and they are not available to pay salaries, operational expenses or fund capital projects. The unrestricted net assets for governmental-type activities actually depict a balance of \$817,452. This represents the amount of discretionary resources that can be used for general governmental operations.

Muskegon Charter Township

Management's Discussion and Analysis

The business-type activities show a total of \$23,961,680 in net assets including \$9,626,452 in unrestricted net assets. The Eastside Water Fund, Sanitation Fund and Sewer Fund unrestricted net assets are \$2,410,942, \$599,618 and \$6,615,892, respectively.

Net Assets

	Governmental Activities		Business-type Activities		Total	
	2007	2006	2007	2006	2007	2006
Current assets and						
other assets	\$ 4,722,945	\$ 4,347,884	\$ 11,746,142	\$ 15,962,105	\$ 16,469,087	\$ 20,309,989
Capital assets	4,133,081	4,243,408	35,249,089	33,172,970	39,382,170	37,416,378
Total assets	8,856,026	8,591,292	46,995,231	49,135,075	55,851,257	57,726,367
Current liabilities	3,380,693	3,290,389	963,384	2,813,229	4,344,077	6,103,618
Noncurrent liabilities	349,287	533,608	22,050,167	22,474,442	22,399,454	23,008,050
Total liabilities	3,729,980	3,823,997	23,013,551	25,287,671	26,743,531	29,111,668
Net assets						
Invested in capital						
assets, net of related						
debt	3,765,446	3,715,506	14,355,228	14,820,570	18,120,674	18,536,076
Restricted	543,148	478,449	-	-	543,148	478,449
Unrestricted	817,452	573,340	9,626,452	9,026,834	10,443,904	9,600,174
Total net assets	\$ 5,126,046	\$ 4,767,295	\$ 23,981,680	\$ 23,847,404	\$ 29,107,726	\$ 28,614,699

Governmental activity current assets increased \$375,061 due mainly to an increase in cash from normal activities, while capital assets show a decrease of \$110,327 due to normal depreciation offset by various capital asset purchases. Noncurrent liabilities for governmental activity decreased \$184,321 due to normal debt payments.

Business-type activity current assets decreased \$4,215,963 due mainly to sewer construction expenditures. The business-type activities show an increase in capital assets due to on-going water and sewer expansion projects. In the liability section, business-type activities show a decrease in current liabilities due to the payoff sewer construction payables; non-current liabilities decreased due to scheduled principal payment on the General Obligation Water Bonds of 2004.

Muskegon Charter Township

Management's Discussion and Analysis

Governmental Activities

Governmental activities net assets increased by \$358,751 (7.5%) during the 2007 fiscal year. The Township's property tax revenues increased by \$116,274 in 2007 due to an increase in taxable value. Grants and contributions not restricted increased \$110,123 because the Township received a land contribution from L-3 Communications. The following table depicts these occurrences.

Business-type Activities

At the end of the fiscal year, the net assets for business-type activities increased by \$134,276 or .6%. Three funds comprise the business-type activities. The Eastside Water Fund had an increase in net assets of \$162,152, the Sanitation Fund had an increase in net assets of \$62,147, and the Sewer Fund had a decrease in net assets of \$90,023.

Capital grants and contributions decreased \$2,009,231 in 2007 due to large amounts pledged by neighboring townships for shared costs of sewer expansion projects in 2006. Business-type activities expenses in the Sewer Fund increased by \$986,503, due primarily to higher interest expense as interest had been capitalized with construction costs in the previous year. In addition, depreciation expense increased as capital projects have been completed and are now being depreciated.

Change in Net Assets

	Governmental Activities		Business-type Activities		Total	
	2007	2006	2007	2006	2007	2006
Revenues:						
Program revenues						
Charges for services	\$ 1,656,983	\$ 1,576,572	\$ 3,134,911	\$ 2,825,010	\$ 4,791,894	\$ 4,401,582
Operating grants	32,296	33,310	-	-	32,296	33,310
Capital grants and contributions	-	25,364	954,985	2,964,216	954,985	2,989,580
General revenues						
Property taxes	2,400,195	2,283,921	-	-	2,400,195	2,283,921
Grants and contributions not restricted	1,735,683	1,625,560	-	-	1,735,683	1,625,560
Unrestricted investment earnings	216,696	208,851	373,056	372,705	589,752	581,556
Miscellaneous	62,473	70,224	-	-	62,473	70,224
Gain on sale of capital assets	5,540	3,468	37,920	5,000	43,460	8,468
Total revenues	6,109,866	5,827,270	4,500,872	6,166,931	10,610,738	11,994,201

Muskegon Charter Township

Management's Discussion and Analysis

Change in Net Assets—Continued

	Governmental Activities		Business-type Activities		Total	
	2007	2006	2007	2006	2007	2006
Expenses:						
General government	\$ 1,104,197	\$ 1,173,832	\$ -	\$ -	\$ 1,104,197	\$ 1,173,832
Public safety	3,287,559	3,223,029	-	-	3,287,559	3,223,029
Public works	1,064,796	928,463	-	-	1,064,796	928,463
Community and economic development	27,613	25,751	-	-	27,613	25,751
Culture and recreation	228,805	232,347	-	-	228,805	232,347
Interest on long term debt	19,533	29,422	-	-	19,533	29,422
Eastside Water Fund	-	-	1,478,263	1,525,916	1,478,263	1,525,916
Sanitation Fund	-	-	477,411	457,939	477,411	457,939
Sewer Fund	-	-	2,429,534	1,443,031	2,429,534	1,443,031
Total expenses	<u>5,732,503</u>	<u>5,612,844</u>	<u>4,385,208</u>	<u>3,426,886</u>	<u>10,117,711</u>	<u>9,039,730</u>
Change in net assets before transfers	377,363	214,426	115,664	2,740,045	493,027	2,954,471
Transfers	<u>(18,612)</u>	<u>(18,703)</u>	<u>18,612</u>	<u>18,703</u>	<u>-</u>	<u>-</u>
Change in net assets	358,751	195,723	134,276	2,758,748	493,027	2,954,471
Net assets - Beginning	<u>4,767,295</u>	<u>4,571,572</u>	<u>23,847,404</u>	<u>21,088,656</u>	<u>28,614,699</u>	<u>25,660,228</u>
Net assets - Ending	<u>\$ 5,126,046</u>	<u>\$ 4,767,295</u>	<u>\$ 23,981,680</u>	<u>\$ 23,847,404</u>	<u>\$ 29,107,726</u>	<u>\$ 28,614,699</u>

Financial Analysis of the Government's Funds

As stated earlier in this discussion and analysis, the Township uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds. The focus of the Township's governmental funds is to provide information on near-term inflows, outflows, and balances in spendable resources. Such information is useful in assessing the Township's financing requirements. In particular, unreserved fund balances or the lack thereof, may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

At the end of the 2007 fiscal year, the governmental funds reported a combined fund balance of \$1,283,637. This number represents the fund balance of \$875,206 in the General Fund, \$24,864 in the Public Safety Fund and \$383,567 in other governmental funds. It is necessary to further distinguish between the unreserved and reserved fund balance. The unreserved balance of \$966,259 represents what is available for spending at the Township's discretion. The remainder of the fund balance is reserved to indicate that it is not available for new spending because it has already been committed to liquidate contracts and purchase orders of \$128,952, pay debt service of \$128,073, and purchases allowed for asset forfeiture funds of \$60,353.

Muskegon Charter Township

Management's Discussion and Analysis

Proprietary Funds. The Township's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. Net assets of the Eastside Water Fund, Sanitation Fund and Sewer Fund changed by \$162,152, \$62,147 and (\$90,023), respectively. The result was an overall net increase in the proprietary funds of \$134,276.

General Fund Budget

During the current fiscal year, the Township made several amendments to its original General Fund budget. The most significant of those are listed below:

- Property tax revenues were originally budgeted for \$1,333,809 and were amended up to \$1,353,809 because tax administrative fees collected were higher than anticipated.
- Licenses and permits revenues were originally budgeted for \$316,200 and were amended up to \$336,200 because franchise fee revenue from Comcast increased during the year.
- Intergovernmental revenues from the state were originally budgeted for \$1,674,998 and were amended down to \$1,578,233 because the Township wanted to be conservative.
- Investment earnings revenues were originally budgeted for \$50,000 and were amended up to \$150,000 because original budget was very conservative and interest rates remained relatively high throughout 2007.
- Township hall expenditures were originally budgeted for \$82,670 and were amended down to \$58,670 because a contingent amount reserved for capital improvement was not expended.
- Police department expenditures were originally budgeted for \$1,221,192 and were amended down to \$1,194,192 because an additional officer was not hired as budgeted.
- Parks and recreation expenditures were originally budgeted for \$182,776 and were amended up to \$204,976 because seasonal parks employees worked longer than anticipated and more of the Eastside Extravaganza's donated funds were spent than originally budgeted.
- Transfers in were originally budgeted for \$296,000 and were amended down to \$96,000 because there were no industrial park lot sales in the Economic Development Fund during 2007.
- Transfers out were originally not budgeted and were amended to \$195,000 because the Township was anticipating a transfer out to the Local Streets Fund to cover a fund deficit.

The following comments summarize the major variations from the final budget to actual revenues and expenditures.

- Intergovernmental revenues from the state were \$60,687 more than budgeted because the Township was conservative budgeting due to the uncertainty of revenue sharing.
- Police department expenditures were \$17,067 less than budgeted because the original department budget was conservative.
- Transfers out were \$195,000 less than budgeted because the Township did not make a transfer to the Local Streets Fund as the Township is awaiting the outcome of a lawsuit. This lawsuit may result in the Township receiving retroactive Act 51 revenues which would eliminate the fund deficit in the Local Streets Fund.

Muskegon Charter Township

Management's Discussion and Analysis

Capital Assets

The Township's investment in capital assets for its governmental and business-type activities as of December 31, 2007 totaled \$39,382,170, (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, furniture, machinery, equipment, utility systems and vehicles.

Major capital asset events during the current year included the following:

- L-3 Communications donated property to the Township, valued at \$114,500.
- Major roof work to Fire Station #1 for a total of \$20,449.
- New recreational park equipment for Wesley Park, total of \$10,286.
- Two police cruisers were purchased for a total of \$43,013.
- The Township's water system expanded this year; the most significant expansions were finishing the Harvey Street Pump Station/Control Project and Dangle Park SAD, costing \$211,125 and \$459,563, respectively.
- The Township's sewer system expanded this year; the most significant expansions were Project D – Hall, Macarthur, Marquette for \$1,362,507; Mill Iron Road project for \$588,100; and Becker Road project for \$442,516.

Capital Assets (Net of Accumulated Depreciation)

	Governmental Activities		Business-type Activities		Total	
	2007	2006	2007	2006	2007	2006
Land	\$ 1,288,703	\$ 1,174,203	\$ 40,733	\$ 40,733	\$ 1,329,436	\$ 1,214,936
Construction in progress	-	-	1,287,215	2,328,303	1,287,215	2,328,303
Land improvements	457,693	474,649	-	-	457,693	474,649
Buildings and improvements	1,768,108	1,813,695	-	-	1,768,108	1,813,695
Furniture and equipment	125,203	152,640	-	-	125,203	152,640
Vehicles	493,374	628,221	78,820	135,205	572,194	763,426
Utility systems	-	-	33,842,321	30,668,729	33,842,321	30,668,729
Total	\$ 4,133,081	\$ 4,243,408	\$ 35,249,089	\$ 33,172,970	\$ 39,382,170	\$ 37,416,378

Additional information on the Township's capital assets can be found in Note D of the "Notes to the Financial Statements" of this report.

Muskegon Charter Township

Management's Discussion and Analysis

Long-Term Debt

At the end of the 2007 fiscal year, the Township had total outstanding debt of \$23,219,454 consisting of general obligations bonds, special assessment debt, installment purchase agreements and compensated absences. The special assessment debt is backed by the full-faith and credit of the Township.

Outstanding Debt

	Governmental		Business-type		Total	
	Activities		Activities			
	2007	2006	2007	2006	2007	2006
General obligations bonds	\$ 40,000	\$ 75,000	\$ 22,480,786	\$ 22,901,093	\$ 22,520,786	\$ 22,976,093
Special assessment bonds	247,635	332,902	-	-	247,635	332,902
Installment purchase agreements	80,000	120,000	-	-	80,000	120,000
Compensated absences	356,652	330,706	14,381	13,349	371,033	344,055
Total	<u>\$ 724,287</u>	<u>\$ 858,608</u>	<u>\$ 22,495,167</u>	<u>\$ 22,914,442</u>	<u>\$ 23,219,454</u>	<u>\$ 23,773,050</u>

The Township's total debt decreased by \$553,596 during the fiscal year. This decrease was due to scheduled debt payments. The Township did not issue any new debt this year.

Additional information on the Township's long-term debt can be found in Note J of the "Notes to the Financial Statements" of this report.

General Economic Overview

The Township's General Fund has two major revenue sources - state revenue sharing and property tax revenue. Those two sources comprise over 75% of the General Fund revenue sources. In fiscal 2008, state revenue sharing as a whole is expected to remain consistent with 2007. Property tax revenues are expected to increase by 5.1%.

The 2008 General Fund expenditures budget is up 1.6% from 2007. We are projecting a surplus for the 2008 fiscal year of approximately \$9,000. This surplus is based upon the General Fund making an operating transfer to the Local Streets Fund assuming the Township not receive any Act 51 monies as discussed below. The fund balance of the General Fund is at 24% of operating expenses and is expected to increase in fiscal year 2008.

The Township began offering a new insurance plan to its employees beginning January 2007. The plan is an HSA high deductible insurance plan and several employees have begun participating. The outlook is very good with this new program from the standpoint of offering a great benefit to employees and great savings to the Township. Also, the Township has taken a very progressive stance in looking for other insurance savings while at the same time providing a good benefit to our employees. This stance has resulted in a change of insurance carrier with our Police Union and possible changes in other union contracts with future negotiations.

Muskegon Charter Township

Management's Discussion and Analysis

The Township has now filed a lawsuit against the Muskegon County Road Commission in February 2008 on the basis that the provisions P.A. No. 5 of 2005 Act allow it to receive a portion of Act 51 road revenue sharing from the State of Michigan through the Road Commission. The Township believes that the result of this lawsuit will be that it will receive Act 51 monies for the operation of its Local Streets Fund.

In March of 2008 the Township Board approved a contract with the County of Muskegon under which the County will float a bond issue to refinance the remaining balance of \$6,490,000 on the \$7,000,000 General Obligation Water Bonds of 2004 in the Water Fund. The end result will be a transfer of ownership of the Eastside Water System along with the responsibility for operating and maintaining the system to the County of Muskegon. Related to this issue is discussion of placing a proposal on either the August or November 2008 ballot which would give the residents an option to replace our existing fire hydrant special assessment district with a Township-wide millage. This millage would create a local enterprise fund to use for local water expansion projects and for payment of annual hydrant rentals, billed by both the Northside and Eastside Regional water funds.

The Township Board and staff remain optimistic that the Township's economic stability will be further enhanced by several projects and other variables in various stages of maturity. These include the sale of lots in the new Industrial Park, continued development in the residential and commercial sectors, and recognition in Lansing that revenue sharing must stabilize. Sewer and water expansions have wrapped up in the past several months and have made our Township a healthier and better place to live also.

Requests for Information

This financial report is designed to provide a general overview of Muskegon Charter Township's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to Muskegon Charter Township, 1990 E. Apple Avenue, Muskegon, Michigan, 49442, (231) 777-2555.

BRICKLEY DELONG

CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

May 5, 2008

Township Board
Muskegon Charter Township
Muskegon, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Muskegon Charter Township, Michigan, as of and for the year ended December 31, 2007, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Muskegon Charter Township, Michigan's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Muskegon Charter Township, Michigan, as of December 31, 2007, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and budgetary comparison information on pages i - x and 30 - 31 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Muskegon Charter Township, Michigan's basic financial statements. The combining nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining nonmajor fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.



Muskegon Charter Township
STATEMENT OF NET ASSETS
December 31, 2007

ASSETS

	Governmental activities	Business-type activities	Total
CURRENT ASSETS			
Cash and investments	\$ 2,640,782	\$ 6,790,161	\$ 9,430,943
Receivables	1,586,251	916,096	2,502,347
Due from other governmental units	563,469	-	563,469
Internal balances	(640,023)	640,023	-
Prepaid items	128,951	753	129,704
Total current assets	4,279,430	8,347,033	12,626,463
NONCURRENT ASSETS			
Restricted assets	-	1,257,079	1,257,079
Capital assets, net			
Nondepreciable	1,288,703	1,327,948	2,616,651
Depreciable	2,844,378	33,921,141	36,765,519
Access rights, net	-	206,056	206,056
Bond issue costs, net	-	123,790	123,790
Notes and special assessments receivable	443,515	1,812,184	2,255,699
Total noncurrent assets	4,576,596	38,648,198	43,224,794
Total assets	8,856,026	46,995,231	55,851,257
LIABILITIES AND NET ASSETS			
CURRENT LIABILITIES			
Accounts payable and accrued liabilities	266,575	351,722	618,297
Due to other governmental units	-	166,662	166,662
Deferred revenue	2,739,118	-	2,739,118
Bonds and other obligations, due within one year	375,000	445,000	820,000
Total current liabilities	3,380,693	963,384	4,344,077
NONCURRENT LIABILITIES			
Bonds and other obligations, less amounts due within one year	349,287	22,050,167	22,399,454
Total liabilities	3,729,980	23,013,551	26,743,531
NET ASSETS			
Invested in capital assets, net of related debt	3,765,446	14,355,228	18,120,674
Restricted for:			
Public safety	424,975	-	424,975
Debt service	118,173	-	118,173
Unrestricted	817,452	9,626,452	10,443,904
Total net assets	\$ 5,126,046	\$ 23,981,680	\$ 29,107,726

The accompanying notes are an integral part of this statement.

Muskegon Charter Township
STATEMENT OF ACTIVITIES
For the year ended December 31, 2007

<i>Functions/Programs</i>	Expenses	Program Revenue			Net (Expense) Revenue and Changes in Net Assets		
		Charges for services	Operating grants and contributions	Capital grants and contributions	Governmental activities	Business-type activities	Total
Governmental activities							
General government	\$ 1,104,197	\$ 623,099	\$ -	\$ -	\$ (481,098)	\$ -	\$ (481,098)
Public safety	3,287,559	553,076	32,296	-	(2,702,187)	-	(2,702,187)
Public works	1,064,796	459,391	-	-	(605,405)	-	(605,405)
Community and economic development	27,613	1,163	-	-	(26,450)	-	(26,450)
Culture and recreation	228,805	20,254	-	-	(208,551)	-	(208,551)
Interest on long-term debt	19,533	-	-	-	(19,533)	-	(19,533)
Total governmental activities	5,732,503	1,656,983	32,296	-	(4,043,224)	-	(4,043,224)
Business-type activities							
Eastside water	1,478,263	1,424,770	-	189,606	-	136,113	136,113
Sanitation	477,411	529,197	-	-	-	51,786	51,786
Sewer	2,429,534	1,180,944	-	765,379	-	(483,211)	(483,211)
Total business-type activities	4,385,208	3,134,911	-	954,985	-	(295,312)	(295,312)
Total government	<u>\$ 10,117,711</u>	<u>\$ 4,791,894</u>	<u>\$ 32,296</u>	<u>\$ 954,985</u>	(4,043,224)	(295,312)	(4,338,536)
General revenues							
Property taxes, levied for							
General purposes					1,530,298	-	1,530,298
Specific purposes					869,897	-	869,897
Grants and contributions not restricted to specific programs					1,735,683	-	1,735,683
Unrestricted investment earnings					216,696	373,056	589,752
Miscellaneous					62,473	-	62,473
Gain on sale of capital assets					5,540	37,920	43,460
Transfers					(18,612)	18,612	-
Total general revenues and transfers					4,401,975	429,588	4,831,563
Change in net assets					358,751	134,276	493,027
Net assets at January 1, 2007					4,767,295	23,847,404	28,614,699
Net assets at December 31, 2007					<u>\$ 5,126,046</u>	<u>\$ 23,981,680</u>	<u>\$ 29,107,726</u>

The accompanying notes are an integral part of this statement.

Muskegon Charter Township
BALANCE SHEET
Governmental Funds
December 31, 2007

	General Fund	Public Safety Fund	Other governmental funds	Total governmental funds
ASSETS				
Cash and investments	\$ 812,403	\$ 387,680	\$ 1,440,700	\$ 2,640,783
Receivables				
Accounts	58,218	-	3,786	62,004
Property taxes	640,751	383,635	434,556	1,458,942
Special assessments	-	-	508,820	508,820
Due from other governmental units	556,279	7,190	-	563,469
Due from other funds	4,547	-	36,000	40,547
Prepaid items	119,050	9,902	-	128,952
Total assets	<u>\$ 2,191,248</u>	<u>\$ 788,407</u>	<u>\$ 2,423,862</u>	<u>\$ 5,403,517</u>
LIABILITIES AND FUND BALANCES				
Liabilities				
Accounts payable	\$ 57,304	\$ 19,362	\$ 80,711	\$ 157,377
Accrued liabilities	61,716	27,857	9,727	99,300
Due to other funds	610	-	4,547	5,157
Deferred revenue	1,196,412	716,324	1,269,897	3,182,633
Advances from other funds	-	-	675,413	675,413
Total liabilities	1,316,042	763,543	2,040,295	4,119,880
Fund balances (deficits)				
Reserved for:				
Prepaid items	119,050	9,902	-	128,952
Debt service	-	-	128,073	128,073
Asset forfeitures	60,353	-	-	60,353
Unreserved				
Undesignated, reported in				
General Fund	695,803	-	-	695,803
Special revenue funds	-	14,962	556,877	571,839
Capital projects funds	-	-	(301,383)	(301,383)
Total fund balances	875,206	24,864	383,567	1,283,637
Total liabilities and fund balances	<u>\$ 2,191,248</u>	<u>\$ 788,407</u>	<u>\$ 2,423,862</u>	<u>\$ 5,403,517</u>

The accompanying notes are an integral part of this statement.

Muskegon Charter Township
**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS**
December 31, 2007

Total fund balance—governmental funds	\$	1,283,637
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Amounts reported for governmental activities in the Statement of Net Assets
are different because:

Capital assets used in governmental activities are not financial resources and
are not reported in the governmental funds.

Cost of capital assets	\$ 7,619,869		
Accumulated depreciation	<u>(3,486,788)</u>		4,133,081

Accrued interest in governmental activities is not reported in the governmental funds.		(9,900)
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Special assessment revenue is not recognized until it is receivable in the current period and therefore is shown as deferred revenue in the governmental funds.		443,515
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Long-term liabilities in governmental activities are not due and payable in the
current period and are not reported in the governmental funds.

Bonds and notes payable	(367,635)		
Compensated absences	<u>(356,652)</u>		<u>(724,287)</u>

Net assets of governmental activities in the Statement of Net Assets	\$	<u><u>5,126,046</u></u>
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The accompanying notes are an integral part of this statement.

Muskegon Charter Township
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
Governmental Funds
For the year ended December 31, 2007

	General Fund	Public Safety Fund	Other governmental funds	Total governmental funds
REVENUES				
Property taxes	\$ 1,366,526	\$ 695,949	\$ 518,610	\$ 2,581,085
Licenses and permits	341,059	-	-	341,059
Intergovernmental revenues - State	1,638,920	-	-	1,638,920
Charges for services	327,811	-	588,529	916,340
Fines and forfeitures	19,037	-	-	19,037
Investment earnings	156,297	5,191	55,207	216,695
Other	77,023	15,150	135,941	228,114
Total revenues	3,926,673	716,290	1,298,287	5,941,250
EXPENDITURES				
Current				
General government	820,062	-	-	820,062
Public safety	2,324,715	732,042	17,899	3,074,656
Public works	15,664	-	822,637	838,301
Community and economic development	27,613	-	18,625	46,238
Culture and recreation	200,319	-	-	200,319
Other governmental functions	248,978	-	128,418	377,396
Debt service				
Principal	35,000	-	125,267	160,267
Interest and fees	3,260	-	20,172	23,432
Capital outlay	10,286	63,462	1	73,749
Total expenditures	3,685,897	795,504	1,133,019	5,614,420
Excess of revenues over (under) expenditures	240,776	(79,214)	165,268	326,830
OTHER FINANCING SOURCES (USES)				
Proceeds from sale of capital assets	8,640	-	-	8,640
Transfers in	96,000	20,500	-	116,500
Transfers out	-	-	(135,112)	(135,112)
Total other financing sources (uses)	104,640	20,500	(135,112)	(9,972)
Net change in fund balances	345,416	(58,714)	30,156	316,858
Fund balances at January 1, 2007	529,790	83,578	353,411	966,779
Fund balances at December 31, 2007	\$ 875,206	\$ 24,864	\$ 383,567	\$ 1,283,637

The accompanying notes are an integral part of this statement.

Muskegon Charter Township
**RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES**

For the year ended December 31, 2007

Net change in fund balances—total governmental funds	\$	316,858
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Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report outlays for capital assets as expenditures; in the Statement of Activities, these costs are depreciated over their estimated useful lives.

Depreciation expense	\$	(295,475)	
Capital outlay		<u>73,749</u>	(221,726)

Governmental funds report the entire proceeds from the sale of capital assets as revenue, but the Statement of Activities reports only the gain or loss on the sale of capital assets.		(3,100)
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Contributions of capital assets are not reported in the governmental funds, but the contribution is capitalized and reported at fair market value in the Statement of Net Assets.		114,499
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Repayment of principal on long-term debt is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets.		160,267
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Interest expense on long-term debt is recorded in the Statement of Activities when incurred, but is not reported in the governmental funds until paid.		3,900
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Compensated absences are reported on the accrual method in the Statement of Activities and reported as expenditures when financial resources are used in the governmental funds.		(25,946)
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Governmental funds recognize special assessments as revenue as they become current, however they are recognized in full when levied in the Statement of Net Assets.		<u>13,999</u>
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Change in net assets of governmental activities	\$	<u><u>358,751</u></u>
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The accompanying notes are an integral part of this statement.

Muskegon Charter Township
STATEMENT OF NET ASSETS
Proprietary Funds
December 31, 2007

ASSETS

	Business-type Activities - Enterprise funds			
	Eastside Water	Sanitation	Sewer	Total
CURRENT ASSETS				
Cash and investments	\$ 1,279,430	\$ 516,030	\$ 4,994,701	\$ 6,790,161
Receivables				
Accounts	308,494	121,084	273,575	703,153
Special assessments	105,570	-	107,373	212,943
Due from other funds	-	72	610	682
Prepaid items	50	653	50	753
Total current assets	1,693,544	637,839	5,376,309	7,707,692
NONCURRENT ASSETS				
Restricted assets	-	-	1,257,079	1,257,079
Capital assets				
Land	15,966	-	24,767	40,733
Utility systems	8,173,902	-	35,137,932	43,311,834
Furniture and equipment	-	-	600	600
Vehicles	-	634,724	-	634,724
Construction in progress	-	-	1,287,215	1,287,215
Less accumulated depreciation	(466,626)	(555,904)	(9,003,487)	(10,026,017)
Net capital assets	7,723,242	78,820	27,447,027	35,249,089
Advances to other funds	-	-	675,413	675,413
Access rights, net	-	-	206,056	206,056
Bond issuance costs, net	56,717	-	67,073	123,790
Notes and special assessments receivable	845,825	-	966,359	1,812,184
Total noncurrent assets	8,625,784	78,820	30,619,007	39,323,611
Total assets	10,319,328	716,659	35,995,316	47,031,303
LIABILITIES AND NET ASSETS				
CURRENT LIABILITIES				
Accounts payable	23,641	20,754	141,746	186,141
Accrued liabilities	46,677	5,192	113,712	165,581
Due to other governmental units	57,056	-	109,606	166,662
Due to other funds	-	-	36,072	36,072
Bonds and other obligations, due within one year	265,000	7,000	173,000	445,000
Total current liabilities	392,374	32,946	574,136	999,456
NONCURRENT LIABILITIES				
Bonds and other obligations, less amounts due within one year	6,173,924	5,275	15,870,968	22,050,167
Total liabilities	6,566,298	38,221	16,445,104	23,049,623
NET ASSETS				
Invested in capital assets, net of related debt	1,342,088	78,820	12,934,320	14,355,228
Unrestricted	2,410,942	599,618	6,615,892	9,626,452
Total net assets	\$ 3,753,030	\$ 678,438	\$ 19,550,212	\$ 23,981,680

The accompanying notes are an integral part of this statement.

Muskegon Charter Township
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
Proprietary Funds
For the year ended December 31, 2007

	Business-type Activities - Enterprise funds			
	Eastside Water	Sanitation	Sewer	Total
REVENUES				
Charges for services	\$ 1,424,770	\$ 529,197	\$ 1,180,944	\$ 3,134,911
OPERATING EXPENSES				
Administration	86,331	47,163	144,557	278,051
Operations	939,391	373,863	913,368	2,226,622
Depreciation and amortization	163,162	56,385	747,668	967,215
Total operating expenses	1,188,884	477,411	1,805,593	3,471,888
Operating income (loss)	235,886	51,786	(624,649)	(336,977)
NONOPERATING REVENUES (EXPENSES)				
Investment earnings	26,039	10,361	336,656	373,056
Connection fees	189,606	-	765,379	954,985
Gain on sale of capital assets	-	-	37,920	37,920
Interest expense	(289,379)	-	(623,941)	(913,320)
Total nonoperating revenues (expenses)	(73,734)	10,361	516,014	452,641
Income (loss) before transfers	162,152	62,147	(108,635)	115,664
Transfers in	-	-	18,612	18,612
Change in net assets	162,152	62,147	(90,023)	134,276
Net assets at January 1, 2007	3,590,878	616,291	19,640,235	23,847,404
Net assets at December 31, 2007	\$ 3,753,030	\$ 678,438	\$ 19,550,212	\$ 23,981,680

The accompanying notes are an integral part of this statement.

Muskegon Charter Township
STATEMENT OF CASH FLOWS
Proprietary Funds
For the year ended December 31, 2007

	Business-type Activities - Enterprise funds			
	Eastside Water	Sanitation	Sewer	Total
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers	\$ 1,426,279	\$ 526,273	\$ 1,226,727	\$ 3,179,279
Receipts from interfund services provided	5,960	1,884	1,490	9,334
Payments to suppliers	(946,318)	(292,976)	(928,427)	(2,167,721)
Payments to employees	(55,534)	(118,621)	(88,676)	(262,831)
Net cash provided by operating activities	430,387	116,560	211,114	758,061
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Transfers in	-	-	18,612	18,612
Advances to other funds (net)	-	-	(239,413)	(239,413)
Net cash used for non-capital financing activities	-	-	(220,801)	(220,801)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Capital contributions	-	-	2,082,796	2,082,796
Connection fees	371,163	-	127,544	498,707
Purchases of capital assets	(650,911)	-	(3,928,433)	(4,579,344)
Principal paid on capital debt	(250,000)	-	(141,264)	(391,264)
Interest paid on capital debt	(295,813)	-	(841,517)	(1,137,330)
Proceeds from sale of capital assets	-	-	93,483	93,483
Net cash used for capital and related financing activities	(825,561)	-	(2,607,391)	(3,432,952)
CASH FLOW FROM INVESTING ACTIVITIES				
Investment earnings	26,039	10,361	336,656	373,056
Net increase (decrease) in cash and investments	(369,135)	126,921	(2,280,422)	(2,522,636)
Cash and investments at January 1, 2007	1,648,565	389,109	8,532,202	10,569,876
Cash and investments at December 31, 2007	<u>\$ 1,279,430</u>	<u>\$ 516,030</u>	<u>\$ 6,251,780</u>	<u>\$ 8,047,240</u>
Reconciliation of cash and investments to the statement of net assets				
Cash and investments	\$ 1,279,430	\$ 516,030	\$ 4,994,701	\$ 6,790,161
Restricted assets	-	-	1,257,079	1,257,079
	<u>\$ 1,279,430</u>	<u>\$ 516,030</u>	<u>\$ 6,251,780</u>	<u>\$ 8,047,240</u>
Reconciliation of operating income (loss) to net cash provided by operating activities				
Operating income (loss)	\$ 235,886	\$ 51,786	\$ (624,649)	\$ (336,977)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities				
Depreciation and amortization expense	163,162	56,385	747,668	967,215
Change in assets and liabilities				
Receivables, net	7,469	(1,040)	47,273	53,702
Internal balances	89,333	4,928	17,161	111,422
Prepaid items	111	64	111	286
Accounts payable	(43,326)	3,047	(18,127)	(58,406)
Accrued liabilities	631	1,390	632	2,653
Due to other governmental units	(22,879)	-	41,045	18,166
Net cash provided by operating activities	<u>\$ 430,387</u>	<u>\$ 116,560</u>	<u>\$ 211,114</u>	<u>\$ 758,061</u>

The accompanying notes are an integral part of this statement.

Muskegon Charter Township
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
 Agency Funds
 December 31, 2007

	<u>Trust and Agency</u>	<u>Current Tax Account</u>	<u>Payroll</u>	<u>Total</u>
ASSETS				
Cash and investments	\$ 20,852	\$ 2,511,515	\$ 25,921	\$ 2,558,288
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
LIABILITIES				
Accrued liabilities	\$ -	\$ -	\$ 25,921	\$ 25,921
Due to other governmental units	20,622	2,493,390	-	2,514,012
Deposits held for others	<u>230</u>	<u>18,125</u>	<u>-</u>	<u>18,355</u>
Total liabilities	\$ <u>20,852</u>	\$ <u>2,511,515</u>	\$ <u>25,921</u>	\$ <u>2,558,288</u>

The accompanying notes are an integral part of this statement.

Muskegon Charter Township
NOTES TO FINANCIAL STATEMENTS
December 31, 2007

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Muskegon Charter Township (Township) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the Township's accounting policies are described below.

Reporting Entity

The Township is a municipal corporation governed by an elected seven-member Board. The accompanying financial statements present the government and its component units, entities for which the government is considered to be financially accountable. Blended component units, although legally separate entities, are, in substance, part the government's operations.

Blended component unit

Building Authority. The Muskegon Charter Township Building Authority (Authority) serves all the citizens of the Township and is governed by a Board appointed by the Township's Board. The primary purpose of the Authority is to acquire and construct Township facilities. The Authority issues bonds that are approved by the Township Board, and the legal liability for the Authority's debt remains with the Township. The Authority then leases the assets to the Township to finance the repayment of the bonds.

Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the Township. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirement of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues. The Township does not allocate indirect costs.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Muskegon Charter Township
NOTES TO FINANCIAL STATEMENTS—CONTINUED
December 31, 2007

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued

Measurement Focus, Basis of Accounting and Financial Statement Presentation—Continued

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, franchise taxes, licenses and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within 60 days of the end of the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The Township reports the following major governmental funds:

The General Fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Public Safety Fund is used to account for a special tax millage levied by the Township for the operation of the police and fire departments.

The Township reports the following three major proprietary funds:

The Eastside Water Fund operates the Township's water distribution system.

The Sanitation Fund accounts for user charges and for operating expenses and debt service of the Township's sanitation department.

The Sewer Fund operates the Township's sewage pumping station, collection systems and pays for access to the county's sewage treatment plant.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Government Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The Township has elected not to follow subsequent private-sector guidance.

Muskegon Charter Township
NOTES TO FINANCIAL STATEMENTS—CONTINUED
December 31, 2007

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued

Measurement Focus, Basis of Accounting and Financial Statement Presentation—Continued

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the Township's water and sewer function and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services or privileges provided, 2) operating grants and contributions and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues are charges to customers for sales and services. The enterprise funds also recognize as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the Township's policy to use restricted resources first, then unrestricted resources as they are needed.

Assets, Liabilities and Net Assets or Equity

Deposits and Investments

The Township's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

The Township reports its investments in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. Under this standard, certain investments are valued at fair value as determined by quoted market prices or by estimated fair values when quoted market prices are not available. The standard also provides that certain investments are valued at cost (or amortized cost) when they are of a short-term duration, the rate of return is fixed, and the Township intends to hold the investment until maturity.

The Township has adopted an investment policy in compliance with State of Michigan statutes. Those statutes authorize the Township to invest in obligations of the United States, certificates of deposit, prime commercial paper, securities guaranteed by United States agencies or instrumentalities, United States government or federal agency obligation repurchase agreements, bankers' acceptances, state-approved investment pools and certain mutual funds.

Muskegon Charter Township
NOTES TO FINANCIAL STATEMENTS—CONTINUED
December 31, 2007

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued

Assets, Liabilities and Net Assets or Equity—Continued

Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds". Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances".

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

All trade and property tax receivables are shown net of allowance for uncollectibles.

The Township bills and collects its own property taxes and also collects taxes for the county, school and State of Michigan. Taxes are levied on each December 1 on the taxable valuation of property (as defined by state statutes) located in the Local Governmental Unit as of the preceding December 31. Uncollectible real property taxes as of the following March 1 are turned over by the Township to the County for collection. The County advances the Township all these delinquent real property taxes. The delinquent personal property taxes remain the responsibility of the Township. Taxes levied on December 1 are recorded as receivables and deferred revenue. Taxes are recognized as revenue (and become available for appropriation) in the calendar year following the levy.

The 2006 state taxable value for real/personal property of the Township totaled approximately \$344,703,000. The ad valorem taxes levied consisted of 4.3124, .4953 and 1.9812 mills for the Township's general operating, street lighting and public safety purposes. These amounts are recognized in the respective General Fund, Street Lighting Fund, and Public Safety Fund. The Township has designated 1.0 mill of its general operating levy for local streets and recognized that amount in the Local Streets Fund.

Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

Restricted Assets

Certain cash and investments from a debt issue in the Sewer Fund that are unspent are shown as restricted because their use is restricted to construction.

Muskegon Charter Township
NOTES TO FINANCIAL STATEMENTS—CONTINUED
December 31, 2007

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued

Assets, Liabilities and Net Assets or Equity—Continued

Capital Assets

Capital assets, which include property, plant and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

Property, plant and equipment is depreciated or amortized using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings and improvements	30-40
Utility systems	50
Land improvements	20-30
Furniture and equipment	5-10
Vehicles	5-10
Access rights	20

Compensated Absences

Township employees are granted vacation and sick leave in varying amounts based on length of service and employee group. Employees must use earned vacation time during the anniversary year following the one in which it was earned. Upon termination, employees are paid for unused vacation at their current rates. Sick leave is accumulated at the rate of one day per month of employment. Unused sick leave is accumulated up to 180 days for employees. One half of all unused accumulated sick leave is paid to employees upon retirement. All vacation and sick pay is accrued when incurred in the government-wide and proprietary fund financial statements. The current portion of this liability is estimated based on historical trends. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

Muskegon Charter Township
NOTES TO FINANCIAL STATEMENTS—CONTINUED
December 31, 2007

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued

Assets, Liabilities and Net Assets or Equity—Continued

Long-Term Obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities or proprietary fund type statement of net assets. Bond premiums and discounts as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures.

NOTE B—STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds. All annual appropriations lapse at fiscal year end.

The Township follows these procedures in establishing the budgetary information provided in the financial statements:

- a. Prior to December 1, the Township Supervisor submits to the Township Board a proposed operating budget for the fiscal year commencing the following January 1. The operating budget includes proposed expenditures and the means of financing them.
- b. Public hearings are conducted at the Township Hall to obtain taxpayer comments.
- c. Prior to December 31, the budget is legally enacted through passage of a resolution.
- d. Supplemental appropriations, when required to provide for additional expenditures, are matched by additional anticipated revenues or an appropriation of available fund balance and must be approved by the Township Board. All appropriations lapse at year end.

The appropriated budget is prepared by fund, function and department. Transfers of appropriations between departments require the approval of the Township Board. The legal level of budgetary control is the department level for the General Fund and the fund level for all other governmental funds. The Township Board made several supplemental budgetary appropriations throughout the year.

Muskegon Charter Township
NOTES TO FINANCIAL STATEMENTS—CONTINUED
December 31, 2007

NOTE B—STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY—Continued

Excess of Expenditures Over Appropriations

For the year ended December 31, 2007, actual expenditures exceeded appropriations for the Public Safety Fund by \$38,825. These overexpenditures were funded with available fund balance.

Fund Deficits

As of December 31, 2007, the Township's Local Streets Fund had an unreserved fund deficit of \$218,932 and the Paving Projects Capital Projects Fund had an unreserved fund deficit of \$301,383. The deficit in the Paving Projects Capital Projects Fund will be eliminated through the collection of special assessments. The deficit in the Local Streets Fund will be eliminated through either the collection of Act 51 monies or an operating transfer from the General Fund.

NOTE C—DEPOSITS AND INVESTMENTS

As of December 31, 2007, the Township had the following investments:

Investment Type	<u>Fair value</u>	<u>Weighted average maturity (Months)</u>	<u>Moody's</u>	<u>Percent</u>
Money market mutual fund	\$ 100,942	1	not rated	1.3 %
U.S. Agency obligations	446,185	5	AAA	5.8
Negotiable certificates of deposit	1,393,895	6	not rated	18.2
External investment pool	<u>5,729,000</u>	<u>1</u>	not rated	<u>74.7</u>
Total fair value	<u>\$ 7,670,022</u>			<u>100.0 %</u>
Portfolio weighted average maturity		<u>2</u>		

The Township voluntarily invests certain excess funds in an external investment pool (Pool). The Pool is an external investment pool of "qualified" investments for Michigan municipalities. The Pool is not regulated nor registered with the SEC. The fair value of the Township's investments is the same as the fair value of the Pool.

Interest rate risk. The Township does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit risk. State law limits investments in commercial paper and corporate bonds to the two highest classifications issued by nationally recognized statistical rating organizations. The Township has no investment policy that would further limit its investment choices.

Concentration of credit risk. The Township does not have a concentration of credit risk policy. Concentration of credit risk is the risk of loss attributed to the magnitude of the Township investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized.

Custodial credit risk - deposits. In the case of deposits, this is the risk that in the event of a bank failure, the Township's deposits may not be returned to it. As of December 31, 2007, \$3,092,493 of the Township's bank balance of \$3,392,493 was exposed to custodial credit risk because it was uninsured and uncollateralized.

Muskegon Charter Township
NOTES TO FINANCIAL STATEMENTS—CONTINUED
December 31, 2007

NOTE C—DEPOSITS AND INVESTMENTS—Continued

Custodial credit risk - investments. The Township does not have a custodial credit risk policy for investments. This is the risk that, in the event of the failure of the counterparty, the Township will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

Foreign currency risk. The Township is not authorized to invest in investments which have this type of risk.

NOTE D—CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2007 was as follows:

	Balance January 1, 2007	Additions	Deductions	Balance December 31, 2007
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 1,174,203	\$ 114,500	\$ -	\$ 1,288,703
Capital assets, being depreciated:				
Land improvements	994,992	10,286	-	1,005,278
Buildings and improvements	2,618,246	20,449	-	2,638,695
Furniture and equipment	435,850	-	-	435,850
Vehicles	2,290,152	43,013	81,822	2,251,343
Total capital assets, being depreciated	6,339,240	73,748	81,822	6,331,166
Less accumulated depreciation:				
Land improvements	520,343	27,242	-	547,585
Buildings and improvements	804,551	66,036	-	870,587
Furniture and equipment	283,210	27,437	-	310,647
Vehicles	1,661,931	174,760	78,722	1,757,969
Total accumulated depreciation	3,270,035	295,475	78,722	3,486,788
Total capital assets, being depreciated, net	3,069,205	(221,727)	3,100	2,844,378
Capital assets, net	\$ 4,243,408	\$ (107,227)	\$ 3,100	\$ 4,133,081

Muskegon Charter Township
NOTES TO FINANCIAL STATEMENTS—CONTINUED
December 31, 2007

NOTE D—CAPITAL ASSETS—Continued

	Balance January 1, 2007	Additions	Deductions	Balance December 31, 2007
Business-type activities:				
Capital assets, not being depreciated:				
Land	\$ 40,733	\$ -	\$ -	\$ 40,733
Construction in progress	2,328,303	1,287,215	2,328,303	1,287,215
Total capital assets, not being depreciated	2,369,036	1,287,215	2,328,303	1,327,948
Capital assets, being depreciated:				
Utility systems	39,373,223	4,032,174	93,563	43,311,834
Furniture and equipment	600	-	-	600
Vehicles	634,724	-	-	634,724
Total capital assets, being depreciated	40,008,547	4,032,174	93,563	43,947,158
Less accumulated depreciation:				
Utility systems	8,704,494	803,018	37,999	9,469,513
Furniture and equipment	600	-	-	600
Vehicles	499,519	56,385	-	555,904
Total accumulated depreciation	9,204,613	859,403	37,999	10,026,017
Total capital assets, being depreciated, net	30,803,934	3,172,771	55,564	33,921,141
Capital assets, net	\$ 33,172,970	\$ 4,459,986	\$ 2,383,867	\$ 35,249,089

Depreciation

Depreciation expense has been charged to functions as follows:

Governmental activities:

General government	\$ 41,672
Public safety	185,509
Public works	41,052
Culture and recreation	27,242
	<u>\$ 295,475</u>

Business-type activities:

Eastside water	\$ 160,988
Sanitation	56,385
Sewer	642,030
	<u>\$ 859,403</u>

Muskegon Charter Township
NOTES TO FINANCIAL STATEMENTS—CONTINUED
December 31, 2007

NOTE E—ACCESS RIGHTS

Access rights activity for the year ended December 31, 2007 was as follows:

	Balance January 1, 2007	Additions	Deductions	Balance December 31, 2007
Business-type activities				
Access rights	\$ 790,466	\$ -	\$ -	\$ 790,466
Less accumulated amortization	<u>481,085</u>	<u>103,325</u>	<u>-</u>	<u>584,410</u>
Access rights, net	<u>\$ 309,381</u>	<u>\$ (103,325)</u>	<u>\$ -</u>	<u>\$ 206,056</u>

Amortization

Amortization expense has been charged to sewer.

NOTE F—BOND ISSUANCE COSTS

Bond issuance cost activity for the year ended December 31, 2007 was as follows:

	Balance January 1, 2007	Additions	Deductions	Balance December 31, 2007
Business-type activities:				
Bond issuance costs	\$ 134,620	\$ -	\$ -	\$ 134,620
Less accumulated amortization	<u>6,343</u>	<u>4,487</u>	<u>-</u>	<u>10,830</u>
Bond issuance costs, net	<u>\$ 128,277</u>	<u>\$ (4,487)</u>	<u>\$ -</u>	<u>\$ 123,790</u>

Amortization

\$2,174 of amortization expense has been charged to water and \$2,313 has been charged to sewer.

Muskegon Charter Township
NOTES TO FINANCIAL STATEMENTS—CONTINUED
December 31, 2007

NOTE G—INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

The composition of interfund balances as of December 31, 2007 is as follows:

Due to/from other funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Other governmental funds	\$ 4,547
Sanitation Fund	Sewer Fund	72
Sewer Fund	General Fund	610
Other governmental funds	Sewer Fund	36,000
		<u>\$ 41,229</u>

The outstanding balances between funds result mainly from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

Advances to/from other funds:

Other governmental funds owe the Sewer Fund \$675,413 for capital projects.

Interfund transfers:

	Transfers in:				
	<u>General Fund</u>	<u>Sewer Fund</u>	<u>Public Safety Fund</u>	<u>Total</u>	<u>Purpose</u>
Transfers out:					
Other governmental funds	<u>\$ 96,000</u>	<u>\$ 18,612</u>	<u>\$ 20,500</u>	<u>\$ 135,112</u>	Operations subsidy and capital outlay

NOTE H—DEFERRED REVENUE

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of deferred revenue reported in the governmental funds were as follows:

	<u>Unavailable</u>	<u>Unearned</u>
Property taxes	\$ -	\$ 2,454,607
Special assessments and other	<u>728,026</u>	<u>-</u>
Total deferred revenue for governmental funds	<u>\$ 728,026</u>	<u>\$ 2,454,607</u>

Muskegon Charter Township
NOTES TO FINANCIAL STATEMENTS—CONTINUED
December 31, 2007

NOTE I—LONG-TERM DEBT

Summary of Changes in Long-Term Liabilities

The following is a summary of long-term liabilities activity for the Township for the year ended December 31, 2007.

	Balance January 1, 2007	Additions	Reductions	Balance December 31, 2007	Due within one year
Governmental activities:					
General obligation bonds	\$ 75,000	\$ -	\$ 35,000	\$ 40,000	\$ 40,000
Special assessment debt					
with Township commitment	332,902	-	85,267	247,635	85,000
Installment purchase					
agreements	120,000	-	40,000	80,000	40,000
Compensated absences	330,706	199,104	173,158	356,652	210,000
Governmental activity					
long-term liabilities	\$ 858,608	\$ 199,104	\$ 333,425	\$ 724,287	\$ 375,000
Business-type activities:					
General obligation bonds	\$ 22,901,093	\$ -	\$ 420,307	\$ 22,480,786	\$ 438,000
Compensated absences	13,349	8,789	7,757	14,381	7,000
Business-type activity					
long-term liabilities	\$ 22,914,442	\$ 8,789	\$ 428,064	\$ 22,495,167	\$ 445,000

Governmental activities:

General obligation bonds:

\$380,000 Building Authority Bonds of 1993; final
payment of \$40,000 due April 2008; interest
at 5.7% \$ 40,000

Special assessment debt with Township commitment:

\$307,006 Northside Water Special Assessment Bonds
due in annual installments of \$2,100 to \$5,267
through July 2015; interest at 8% 32,635

\$235,000 Special Assessment Bonds of 1998; final
payment of \$25,000 due February 2008; interest
at 4.45% 25,000

\$203,000 Special Assessment Bonds of 2000 due in
annual installments of \$20,000 to \$25,000 through
February 2010; interest at 5.2% 65,000

Muskegon Charter Township
NOTES TO FINANCIAL STATEMENTS—CONTINUED
December 31, 2007

NOTE I—LONG-TERM DEBT—Continued

Summary of Changes in Long-Term Liabilities—Continued

Governmental activities—Continued

Special assessment debt with Township commitment—Continued

\$315,000 Special Assessment Bonds of 2001 due in annual installments of \$30,000 to \$35,000 through March 2011; interest rates varying from 4.15% to 4.5%	\$ 125,000
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Installment purchase agreements:

\$400,000 Fire Truck Installment Purchase Agreement of 1999 due in annual installments of \$40,000 through April 2009; interest at 4.25%	80,000
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Compensated absences

367,635
356,652
\$ 724,287

Business-type activities:

General obligation bonds:

\$7,000,000 General Obligation Bonds of 2004 due in annual installments of \$265,000 to \$495,000 through November 2025; interest at rates varying from 3% to 4.85%	\$ 6,490,000
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Less bond discount	(52,129)
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\$577,304 Muskegon County Wastewater Management - Number One Refunding Bond of 2002; final payment of \$172,613 due July 2008; interest at 5%	172,613
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\$16,000,000 Muskegon County Wastewater Management - Number One Bond of 2006 due in annual installments of \$295,432 to \$1,014,577 through November 2036; interest at rates varying from 4.25% to 5%	16,000,000
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Less bond discount	(129,698)
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Compensated absences

22,480,786
14,381
\$ 22,495,167

Muskegon Charter Township
NOTES TO FINANCIAL STATEMENTS—CONTINUED
December 31, 2007

NOTE I—LONG-TERM DEBT—Continued

Summary of Changes in Long-Term Liabilities—Continued

For governmental activities, claims and judgments and compensated absences are generally liquidated by the General Fund.

The general obligation bonds are backed by the full faith and credit of the Township.

The County of Muskegon wastewater contracts payable represent agreements with Muskegon County relating to the construction of sewage treatment facilities. To construct these facilities, the County issued bonds which local municipalities are obligated to repay. The Township has recorded the liability for its portion of the County bonds which are to be repaid by the access rights fee. Access rights are also recorded and are amortized over 20 years. The contractual obligation is secured by the full faith and credit of the Township. Current debt service requirements are funded by sewer revenues.

In 2005, the County of Muskegon began making improvements to the regional sewer treatment facilities. The project was funded with \$17,500,000 bonds issued through the State of Michigan Clean Water Revolving Fund Loan Program. The County operates the system and makes payments on the bonds with user charges to the local units. The Township has pledged its limited tax full faith and credit for the payment of its portion of the debt should user charges collected by the County be insufficient to make the debt payments. The Township's portion of the debt on December 31, 2007 was \$1,470,232. The Township is unaware of any circumstances that would cause a shortfall in the near future.

The County of Muskegon issued a \$7,900,000 Water Supply System Bond in 2006 to fund improvements to the Northside Water System which includes part of the Township. The Township has pledged its full faith and credit for a portion of the debt should user charges collected by the County be insufficient to make the debt payments. The Township's portion of the debt on December 31, 2007 was \$2,022,800. The Township is unaware of any circumstances that would cause a shortfall in the near future.

Annual debt service requirements to maturity for debt outstanding as of December 31, 2007 follows:

Year ending December 31,	Governmental activities		Business-type activities	
	Principal	Interest	Principal	Interest
2008	\$ 165,000	\$ 16,000	\$ 438,000	\$ 1,013,000
2009	100,000	9,000	565,000	996,000
2010	55,000	5,000	587,000	974,000
2011	35,000	2,000	609,000	950,000
2012	6,000	1,000	634,000	926,000
2013-2017	6,635	1,102	3,553,000	4,212,000
2018-2022	-	-	4,368,000	3,391,000
2023-2027	-	-	4,395,000	2,340,000
2028-2032	-	-	3,758,000	1,461,000
2033-2036	-	-	3,755,613	475,536
	<u>\$ 367,635</u>	<u>\$ 34,102</u>	<u>\$ 22,662,613</u>	<u>\$ 16,738,536</u>

Muskegon Charter Township
NOTES TO FINANCIAL STATEMENTS—CONTINUED
December 31, 2007

NOTE J—OTHER INFORMATION

Risk Management

The Township is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees and natural disasters. The Township manages its liability, property and insurance coverage as a member of the Michigan Township Participating Plan (MTPP), a public entity risk pool providing liability and property coverage to its participating members. The Township pays an annual premium to MTPP for its insurance coverage. The MTPP is self-sustaining through member premiums and provides, subject to certain deductibles, occurrence-based casualty coverage for each incident and occurrence based property coverage to its members by internally assuring certain risks and reinsuring risks through commercial companies. Various deductibles are maintained to place the responsibility for small charges with the insured. Settled claims resulting from these risks have not exceeded insurance coverage in any of the past three fiscal years.

The Township carries commercial insurance for workers' compensation, employee health and accident insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Contingent Liabilities

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally the federal and state government. Any disallowed claims, including amounts already collected, may constitute a liability to the applicable funds. The amount, if any, of expenditures that may be disallowed by the grantor cannot be determined at this time, although the Township expects such amounts, if any, to be immaterial.

The Township is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, in the opinion of the Township's counsel the resolution of these matters will not have a material adverse effect on the financial condition of the Township.

Post-Retirement Health Care

The Township has agreed to provide post-retirement health care to certain employees after they retire.

As of year end, there were 23 retired employees receiving benefits. The Township finances the Plan on a pay-as-you-go basis. For the year ended December 31, 2007, the Township's post-retirement health care cost under the Plan was approximately \$91,000.

Muskegon Charter Township
NOTES TO FINANCIAL STATEMENTS—CONTINUED
December 31, 2007

NOTE K—RETIREMENT PLANS

Pension Plan

Plan Description. The Township is in an agent multiple-employer defined benefit pension plan with the Municipal Employees Retirement System (MERS). The Plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to Plan members and beneficiaries. Act No. 427 of the Public Acts of 1984 of the State of Michigan assigns the authority to establish and amend the benefit provisions of the plans that participate in MERS to the respective employer entities; that authority rests with the Township. A copy of the complete financial report and required supplemental information can be obtained by writing to:

Muskegon Charter Township
1990 E. Apple Avenue
Muskegon, MI 49442

Funding Policy. Township employees are required to contribute 3 to 5 percent to the Plan depending on employee contract. The Township is required to contribute at an actuarially-determined rate depending upon position from 6.82 to 14.36 percent of covered wages.

Annual Pension Cost. For the year ended December 31, 2007, the Township's annual pension cost was approximately \$289,000 which the Township contributed. The required contribution was determined as part of the December 31, 2005 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions included (a) 8 percent investment rate of return (net of administrative expenses), (b) projected salary increases ranging from 0 percent to 4.5 percent, and (c) 4.5 percent per year compounded annually attributable to inflation. The actuarial value of plan assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a five-year period.

Three-Year Trend Information

<u>Year ended</u>	<u>Approximate Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
12/31/05	\$ 297,000	100 %	\$ -
12/31/06	296,000	100	-
12/31/07	289,000	100	-

REQUIRED SUPPLEMENTARY INFORMATION

Schedule of Funding Progress

(Dollars amounts in thousands)

<u>Actuarial valuation date</u>	<u>Actuarial value of assets</u>	<u>Actuarial Accrued Liability (AAL) Entry Age</u>	<u>Unfunded AAL (UAAL)</u>	<u>Funded ratio</u>	<u>Covered payroll</u>	<u>UAAL as a percentage of covered payroll</u>
12/31/04	\$ 8,879	\$ 10,892	\$ 2,013	82 %	\$ 2,496	81 %
12/31/05	9,440	11,321	1,881	83	2,532	74
12/31/06	10,136	11,944	1,808	85	2,547	71

Muskegon Charter Township
NOTES TO FINANCIAL STATEMENTS—CONTINUED
December 31, 2007

NOTE K—RETIREMENT PLANS—Continued

Deferred Compensation Plan

The Township offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The Plan, available to all full-time Township employees at their option, permits participants to defer a portion of their salary until future years. The deferred compensation is not available to participants until termination, retirement, death or unforeseeable emergency.

The Plan has created a trust for the exclusive benefit of the Plan's participants and beneficiaries under rules provided in Internal Revenue Code Section 401(f).

NOTE L—ECONOMIC DEPENDENCY

State of Michigan shared revenues represent 42 percent of General Fund revenues.

NOTE M—SUBSEQUENT EVENTS

On March 17, 2008, the Township Board approved a contract with the County of Muskegon under which the County will float a bond issue that will refinance the remaining balance of \$6,490,000 on the \$7,000,000 General Obligation Water Bonds of 2004 in the Water Fund. As part of this contract, the Township will transfer ownership of the Southside Water System along with the responsibility for operating and maintaining the system to the County of Muskegon.

In March 2008, the Township purchased new vehicles in the amount of \$56,556.

REQUIRED SUPPLEMENTARY INFORMATION

Muskegon Charter Township
Required Supplementary Information
BUDGETARY COMPARISON SCHEDULE
General Fund
For the year ended December 31, 2007

	Budgeted amounts			Variance with final budget- positive (negative)
	Original	Final	Actual	
REVENUES				
Property taxes	\$ 1,342,409	\$ 1,362,409	\$ 1,366,526	\$ 4,117
Licenses and permits	307,600	327,600	341,059	13,459
Intergovernmental revenues - State	1,674,998	1,578,233	1,638,920	60,687
Charges for services	340,270	340,270	327,811	(12,459)
Fines and forfeitures	39,500	20,500	19,037	(1,463)
Investment earnings	50,000	150,000	156,297	6,297
Other	83,100	87,100	77,023	(10,077)
Total revenues	3,837,877	3,866,112	3,926,673	60,561
EXPENDITURES				
Current				
General government				
Board of trustees	33,749	33,749	32,572	1,177
Supervisor	87,649	88,049	87,683	366
Elections	12,462	12,462	9,125	3,337
Financial administration	230,117	245,117	234,167	10,950
Clerk	222,010	222,010	212,925	9,085
Treasurer	184,162	187,662	185,337	2,325
Township hall	82,670	58,670	56,258	2,412
Board of appeals	1,725	2,125	1,995	130
Public safety				
Police department	1,221,192	1,194,192	1,177,125	17,067
Fire department	915,048	915,048	906,474	8,574
Inspection department	260,749	250,749	241,116	9,633
Public works				
Leaf collection	20,000	20,000	15,664	4,336
Community and economic development				
Planning	23,674	27,974	27,613	361
Culture and recreation				
Parks and recreation	182,776	204,976	200,319	4,657
Other governmental functions				
Insurance	223,000	223,000	211,207	11,793
Payroll benefits	10,200	10,200	10,200	-
Other	24,321	30,021	27,571	2,450
Debt service				
Principal	35,000	35,000	35,000	-
Interest and fees	3,260	3,260	3,260	-
Capital outlay	10,286	10,286	10,286	-
Total expenditures	3,784,050	3,774,550	3,685,897	88,653
Excess of revenues over expenditures	53,827	91,562	240,776	149,214
OTHER FINANCING SOURCES (USES)				
Proceeds from sale of capital assets	16,000	8,000	8,640	640
Transfers in	296,000	96,000	96,000	-
Transfers out	-	(195,000)	-	195,000
Total other financing sources (uses)	312,000	(91,000)	104,640	195,640
Net change in fund balance	\$ 365,827	\$ 562	345,416	\$ 344,854
Fund balance at January 1, 2007			529,790	
Fund balance at December 31, 2007			\$ 875,206	

Muskegon Charter Township
Required Supplementary Information
BUDGETARY COMPARISON SCHEDULE
Public Safety Fund
For the year ended December 31, 2007

	Budgeted amounts			Variance with final budget- positive (negative)
	Original	Final	Actual	
REVENUES				
Property taxes	\$ 701,518	\$ 701,518	\$ 695,949	\$ (5,569)
Investment earnings	500	500	5,191	4,691
Other	7,900	7,900	15,150	7,250
Total revenues	709,918	709,918	716,290	6,372
EXPENDITURES				
Current				
Public safety	682,879	692,179	732,042	(39,863)
Capital outlay	44,000	64,500	63,462	1,038
Total expenditures	726,879	756,679	795,504	(38,825)
Excess of revenues over (under) expenditures	(16,961)	(46,761)	(79,214)	(32,453)
OTHER FINANCING SOURCES				
Transfers in	-	20,500	20,500	-
Net change in fund balance	\$ (16,961)	\$ (26,261)	(58,714)	\$ (32,453)
Fund balance at January 1, 2007			83,578	
Fund balance at December 31, 2007			\$ 24,864	

OTHER SUPPLEMENTAL INFORMATION

Muskegon Charter Township
COMBINING BALANCE SHEET
Other Governmental Funds
December 31, 2007

		Special Revenue						Capital Projects	Debt Service
	Total other governmental funds	Local Streets	Fire Equipment	Street Lighting	Hydrant	Economic Development	Northside Water System	Paving Projects	Paving Projects
ASSETS									
Cash and investments	\$ 1,440,700	\$ -	\$ 324,639	\$ 101,065	\$ 404,778	\$ 20,060	\$ 133,631	\$ 350,342	\$ 106,185
Receivables									
Accounts	3,786	-	-	-	-	3,786	-	-	-
Property taxes	434,556	194,315	-	95,887	144,354	-	-	-	-
Special assessments	508,820	-	-	-	-	-	39,165	365,909	103,746
Due from other funds	36,000	-	36,000	-	-	-	-	-	-
Total assets	<u>\$ 2,423,862</u>	<u>\$ 194,315</u>	<u>\$ 360,639</u>	<u>\$ 196,952</u>	<u>\$ 549,132</u>	<u>\$ 23,846</u>	<u>\$ 172,796</u>	<u>\$ 716,251</u>	<u>\$ 209,931</u>
LIABILITIES AND FUND BALANCES (DEFICITS)									
Liabilities									
Accounts payable	\$ 80,711	\$ 36,148	\$ 1,468	\$ 14,824	\$ -	\$ 12,000	\$ 2,879	\$ 13,392	\$ -
Accrued liabilities	9,727	9,727	-	-	-	-	-	-	-
Due to other funds	4,547	4,547	-	-	-	-	-	-	-
Deferred revenue	1,269,897	362,825	19,413	179,046	265,098	-	32,828	328,829	81,858
Advances from other funds	675,413	-	-	-	-	-	-	675,413	-
Total liabilities	2,040,295	413,247	20,881	193,870	265,098	12,000	35,707	1,017,634	81,858
Fund balances (deficits)									
Reserved for debt service	128,073	-	-	-	-	-	-	-	128,073
Unreserved									
Undesignated	255,494	(218,932)	339,758	3,082	284,034	11,846	137,089	(301,383)	-
Total fund balances (deficits)	383,567	(218,932)	339,758	3,082	284,034	11,846	137,089	(301,383)	128,073
Total liabilities and fund balances (deficits)	<u>\$ 2,423,862</u>	<u>\$ 194,315</u>	<u>\$ 360,639</u>	<u>\$ 196,952</u>	<u>\$ 549,132</u>	<u>\$ 23,846</u>	<u>\$ 172,796</u>	<u>\$ 716,251</u>	<u>\$ 209,931</u>

Muskegon Charter Township
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES (DEFICITS)
Other Governmental Funds
For the year ended December 31, 2007

	Total other governmental funds	Special Revenue						Capital Projects	Debt Service
		Local Streets	Fire Equipment	Street Lighting	Hydrant	Economic Development	Northside Water System	Paving Projects	Paving Projects
REVENUES									
Property taxes	\$ 518,610	\$ 344,662	\$ -	\$ 173,948	\$ -	\$ -	\$ -	\$ -	\$ -
Charges for services	588,529	-	338,412	-	250,117	-	-	-	-
Investment earnings	55,207	99	6,430	1,102	8,349	1,653	7,672	16,317	13,585
Other	135,941	-	600	-	-	195	12,547	80,259	42,340
Total revenues	1,298,287	344,761	345,442	175,050	258,466	1,848	20,219	96,576	55,925
EXPENDITURES									
Current									
Public safety	17,899	-	17,899	-	-	-	-	-	-
Public works	822,637	441,483	-	174,024	-	-	2,706	204,424	-
Community and economic development	18,625	-	-	-	-	18,625	-	-	-
Other governmental functions	128,418	-	-	-	128,418	-	-	-	-
Debt service									
Principal	125,267	-	40,000	-	-	-	5,267	-	80,000
Interest and fees	20,172	-	5,081	-	-	-	3,032	-	12,059
Capital outlay	1	-	-	-	-	1	-	-	-
Total expenditures	1,133,019	441,483	62,980	174,024	128,418	18,626	11,005	204,424	92,059
Excess of revenues over (under) expenditures	165,268	(96,722)	282,462	1,026	130,048	(16,778)	9,214	(107,848)	(36,134)
OTHER FINANCING USES									
Transfers out	(135,112)	-	(116,500)	-	-	-	(18,612)	-	-
Net change in fund balances (deficits)	30,156	(96,722)	165,962	1,026	130,048	(16,778)	(9,398)	(107,848)	(36,134)
Fund balances (deficits) at January 1, 2007	353,411	(122,210)	173,796	2,056	153,986	28,624	146,487	(193,535)	164,207
Fund balances (deficits) at December 31, 2007	\$ 383,567	\$ (218,932)	\$ 339,758	\$ 3,082	\$ 284,034	\$ 11,846	\$ 137,089	\$ (301,383)	\$ 128,073